STATE OF SOUTH CAROLINA

BEFORE THE PUBLIC SERVICE COMMISSION

DOCKET NO. 2019-262-E

In the Matter of:	)	
Application of Duke Energy Progress, LL for Approval of Rider DSM/EE-11, Decreasing Residential Rates and Increasing Non-Residential Rates	)	COMMENTS OF SOUTH CAROLINA STATE CONFERENCE OF THE NAACP, SOUTH CAROLINA COASTAL CONSERVATION LEAGUE, AND SOUTHERN ALLIANCE FOR CLEAN ENERGY

The South Carolina State Conference of the NAACP ("SC NAACP"), South Carolina Coastal Conservation League ("CCL"), and Southern Alliance for Clean Energy ("SACE") (collectively, "Efficiency Intervenors") hereby submit the following comments on Duke Energy Progress, LLC's ("DEP" or "DEP") application for approval of its demand-side management ("DSM") and energy efficiency ("EE") rider for 2020 ("Rider 11").[1] DEP seeks to recover, through its proposed Rider 11, certain costs, lost revenues, and incentives, including net lost revenues and program/portfolio performance incentives ("PPI") as applicable, associated with its DSM and EE programs allocated jurisdictionally to South Carolina.

INTRODUCTION

Efficiency Intervenors generally support the application for approval of DEP's Rider 11, but are discouraged that DEP has again failed to achieve the agreed-upon one percent annual energy savings goal.[2] DEP's DSM/EE portfolio achieved savings of

[1] The proposed Rider 11 consists of components calculated under DEP's cost-recovery and incentive mechanism approved in Docket No. 2015-163-E.

[2] The Merger Settlement with SACE, South Carolina Coastal Conservation League, and Environmental Defense Fund calls for annual energy savings of at least 1% of prior-year retail sales beginning in 2015 and

0.79% of prior-year retail sales in 2018, a reduction in performance from its already sub-target 2017 energy savings of prior-year retail sales of 0.83%.[3] Furthermore, DEP projects that energy savings will continue to decline – falling increasingly short of its missed target. Although DEP has maintained a cost-effective portfolio, more can and should be done to foster increased savings through transparency, resolution-focused collaboration, and more proportionate investment in low-income customers.

Efficiency Intervenors' comments discuss the following topics:

1) Although DEP's portfolio remains very cost-effective, DEP savings consistently fail to achieve the agreed-upon annual savings target of 1.0% from the then-proposed merger of Duke Energy and Progress Energy ("Merger Settlement").
2) A Technical Resource Manual, or TRM, would aid the Commission, the Office of Regulatory Staff, and intervenors in the review of the DEP's savings and net benefits claims going forward.
3) DEP should increase its investments in its lower-income customers and communities.
4) The parties to the combined DEP-DEC Collaborative for both North and South Carolina should set specific goals, streamline meetings and discussions, and sharpen focus to maximize the opportunity to work through relevant issues informally in between Public Service Commission (and North Carolina Utility Commission) DSM/EE dockets.

The following comments address the above concerns.

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cumulative savings of at least 7% over the period from 2014 through 2018. The Merger Settlement was approved by the Public Service Commission of South Carolina ("PSCSC") in Docket No. 2011-158-E.

[3] DEP response to Efficiency Intervenors' data request 1-2.

A. Although DEP's portfolio remains very cost-effective, DEP savings consistently fail to achieve the agreed-upon annual savings target of 1.0% from the then-proposed merger of Duke Energy and Progress Energy ("Merger Settlement").

There are admirable aspects of DEP's DSM/EE portfolio. Foremost, the portfolio is very-cost effective, demonstrating that efficiency programs are a least-cost resource for meeting the energy needs of consumers. By definition, "cost-effective" means that the benefits (that is, the avoided cost savings) of the programs exceed the costs. DEP's DSM/EE portfolio has been cost-effective and remains so. Unfortunately, the overall performance of DEP's portfolio has not met its agreed-to savings targets. DEP's actual and projected savings lag significantly behind the targets that DEP agreed to in the Merger Settlement with SACE, CCL, and other intervenors. DEP is capable of achieving higher levels of energy efficiency savings in a cost-effective manner in 2020.

As noted in CCL and SACE's comments in the previous DEP DSM/EE proceeding, DEP's most recent DSM potential study[4] demonstrated the availability of cost-effective energy savings at a level higher than the agreed-to 1% annual savings target. DEP continues to rely too heavily on short-term, behavioral programs. An enhanced focus on delivering longer-lived savings would enable customers more control over their energy bills.[5]

B. A Technical Resource Manual, or TRM, would aid the Commission, the Office of Regulatory Staff, and intervenors in the review of the DEP's savings and net benefits claims going forward.

Efficiency Intervenors recommend that the Public Service Commission order the development of a Technical Reference Manual ("TRM"), which documents publicly all

[4] Nexant, Duke Energy South Carolina DSM Market Potential Study (Dec. 19, 2016) ("Nexant Study").
[5] Direct Testimony of Forest Bradley-Wright on behalf of SACE, NC Justice Center, and NC Housing Coalition; NCUC Dkt. No. E-2, Sub 1206 (August 19, 2019), p. 7.

current assumptions regarding efficiency-measure energy savings, peak-demand savings, savings life, and incremental costs – as well as references for the sources of those assumptions. When evaluation studies indicate that an assumption needs to be updated, the TRM is also updated. The absence of such a single reference document makes it more difficult to effectively review the reasonableness of DEP's savings and net benefits claims.

A TRM would provide much-needed transparency regarding the basis for all utility-savings estimates, as well as other key inputs to cost-effectiveness calculations. That makes it easier for all parties to identify quickly when key assumptions may be outdated and/or when targeted evaluation activity may be needed to update assumptions. That includes assumptions, such as savings life and incremental cost, which are often not addressed by impact evaluations. Such assumptions are important inputs to cost-effectiveness calculations and shareholder-incentive calculations.

The vast majority of states – especially those with fairly robust efficiency-program offerings – have TRMs. For example, in the South there are TRMs currently in use in Arkansas, New Orleans, Texas, and by TVA. TRMs have also been developed and used by utilities in Illinois, Indiana, Michigan, Ohio, Pennsylvania, Missouri, New Jersey, other mid-Atlantic states, New York, the New England states, the Pacific Northwest states, California, and at least half a dozen other states. South Carolina, in cooperation with North Carolina, should follow suit.

C. DEP should increase its investments in its lower-income customers and communities.

It is important for DEP's energy-efficiency portfolio to include an expanded focus on its low-income customers. Low-income customers have the highest energy burdens (the highest percentage of income spent on residential energy bills), and consequently, are most in need of cost-saving energy efficiency programs, but are generally less likely to participate in programs marketed to the residential sector as a whole. Such programs usually offer financial incentives to defray, but not totally eliminate, the incremental cost of efficiency measures. Low-income customers by definition rarely have the financial means to contribute to efficiency-measure costs. Also, many are renters, and therefore have less control and face greater barriers to participation in efficiency programs than do home owners.

Robust EE programs for low- and fixed-income households are essential to ensure that all customers are able to afford basic utility service. According to a 2016 Home Energy Affordability Gap study, there are about 143,600 South Carolina households with an income less than 50% of the Federal Poverty Level ("FPL"). These households spend on average a staggering 25% of their income on energy bills—a far greater percentage than those households at 185 to 200% of the FPL, who spend an average of 5% of their income on energy.[6] About 172,500 additional South Carolina households live with incomes between 50% and 100% of the FPL and spend approximately 13% of their income on energy.[7] Because of their limited means, paying their energy bills can force trade-offs with other necessities of life, like food and health care.

DEP's only program specifically marketed to low-income customers, the Neighborhood Energy Saver Program, is targeted to neighborhoods where at least half of the households have income levels at or below 200% of the Federal Poverty Guideline.[8]

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[6] Fischer, Sheehan and Colton, 2017 Home Energy Affordability Gap, http://www.homeenergyaffordabilitygap.com/03a_affordabilityData.html.
[7] *Id.*
[8] Dkt. No. 2018-255-E, DEP response to SACE 1-24.

While Efficiency Intervenors do not have data specific to just DEP's service territory, 32% of South Carolina households have incomes at that level.[9] This program achieved 2.28 GWh of savings in 2018 – the lowest amount of savings of all of DEP's residential programs. For 2019, DEP only estimates devoting approximately 4.5% of its residential energy-efficiency spending on the program. That amount is only forecasted to barely increase to 5.5% in 2020.[10] When DEP's investment percentages into this program are considered alongside the percentages of South Carolinians living in poverty – the disproportionality is undeniable.

Although all DEP residential customers contribute to the DSM/EE rider and benefit from system-wide savings, low-income customers do not receive their share of direct benefits from program participation.[11] Coupled with the weatherization assistance and new appliance portions of the Income Qualified program, there is substantial opportunity for DEP to provide additional energy savings assistance for this vulnerable customer class. To be clear: if statewide poverty levels are a reasonable proxy for poverty levels in DEP's service territory, the size of the target market is more than seven times the portion of residential program spending DEP is devoting to it.[12] More can and should be done for low-income customers.

In addition to energy savings, low-income energy-efficiency programs have significant non-energy benefits ("NEBs"), which are often unaccounted for. These

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[9] Kaiser Family Foundation, Distribution of the Total Population by Federal Poverty Level (above and below 200% FPL), https://www.kff.org/other/state-indicator/population-up-to-200-fpl/

[10] Dkt. No. 2018-255-E, DEP Application, Ex. 7; Dkt. No. 2019-262-E, DEP Application, Ex. 7.

[11] Low income customers, like all customers, can still benefit from the effects all of DEP's programs have on reducing utility system costs. They just cannot benefit as much as others if they cannot participate at levels commensurate with those of non-low income customers.

[12] And this could be a conservatively low multiplier because DEP's Neighborhood Energy Saver program, though targeted at communities in which at least 50% of households are at or below 200% of the Federal Poverty Guideline, can treat customers in those neighborhoods that have incomes above that threshold.

benefits include fewer disconnections and arrearages on utility bills; improved health, safety and comfort; increased productivity; environmental benefits; economic development; and job creation. It is essential to recognize NEBs in screening programs for cost-effectiveness, particularly for low-income programs. In order to value all energy savings appropriately, Efficiency Intervenors recommend that DEP work with the Collaborative to develop values for the NEBs associated with low-income programs and to evaluate new programs with this more robust evaluation framework moving forward.

A potential first step is to quantify the cost of involuntary disconnections. According to DEP's recent filings, over 16,900 accounts in its South Carolina service territory were disconnected for non-payment between January and September of this year alone.[13] Because of their financial constraints, low-income households are generally more likely to have problems paying their bills. DEP, like all utilities, incurs costs managing relationships with customers with bill-payment problems. To the extent that low-income efficiency programs can lower such costs, there are added utility-system benefits that do not accrue to other programs (at least not to the same level).

D. The parties to the combined DEP-DEC Collaborative for both North and South Carolina should set specific goals, streamline meetings and discussions, and sharpen focus to maximize the opportunity to work through relevant issues informally in between Public Service Commission (and North Carolina Utility Commission) DSM/EE dockets.

Efficiency Intervenors recommend that the Public Service Commission order the Collaborative to streamline its operation – setting specific, measurable goals with benchmarks and timelines – to elevate functioning at a higher level. This starts with simple things like establishing a reasonable schedule for meetings; providing sufficient

[13] DEP, Quarterly Reports on Involuntary Termination of Electric and/or Gas Service, Reports for the First, Second, and Third Quarters of 2019, Docket No. 2006-193-EG.

notice of what those meetings will cover; circulating an agenda, prior meeting minutes, and materials to be covered with sufficient notice. It also requires working together to narrow issues for discussion and resolution beforehand, and setting timelines for achievement of goals with benchmarks along the way. All of these steps must be taken with enough advance notice for parties to be able to prepare and participate in the meetings meaningfully. Over time, more formal processes should be developed (e.g., annual processes for reviewing and updating and documenting savings assumptions – ideally in a TRM).

Finally, collaborative groups that function well are expected to produce results and to report back to regulators, increasingly in the form of consensus filings, on progress made on key issues. Efficiency Intervenors recommend that the Commission direct the Collaborative to periodically update the Commission on what the Collaborative set out to accomplish and what has actually been accomplished.

Efficiency Intervenors believe directing the Collaborative to take some of the concrete steps described above will not only result in a higher functioning Collaborative with streamlined operation, but will also work to streamline the issues covered in the formal filings and commentary submitted to the Commission by DEP and intervenors in the DSM/EE dockets.

CONCLUSION

In conclusion, Efficiency Intervenors generally support DEP's request for approval of Rider 11. Although DEP's portfolio remains very cost-effective, Efficiency Intervenors are nonetheless concerned that DEP savings consistently fail to achieve the agreed-upon annual savings target of 1.0% from the then-proposed merger of Duke

Energy and Progress Energy ("Merger Settlement"). Efficiency Intervenors recommend the development of a Technical Resource Manual to aid the Commission, the Office of Regulatory Staff, and intervenors in the review of the DEP's savings and net benefits claims going forward. There still exists tremendous potential for EE in DEP's South Carolina territory, including in vulnerable low-income communities and in the largely untapped non-residential sector. DEP should therefore increase its investments in its lower-income customers and communities. Finally, Efficiency Intervenors recommend specific ways that the Collaborative could run more effectively to accomplish the above recommendations and to resolve more issues informally in between DSM/EE dockets.

Respectfully submitted this 8th day of November, 2019

/s/ Stinson W. Ferguson
SC Bar No. 79871
Southern Environmental Law Center
463 King Street, Suite B
Charleston, SC 29403
Telephone: (843) 720-5270
Fax: (843) 414-7039
sferguson@selcsc.org

Attorney for the South Carolina State Conference of the NAACP, South Carolina Coastal Conservation League, and Southern Alliance for Clean Energy

CERTIFICATE OF SERVICE

I certify that the following persons have been served with a copy of the foregoing Comments of the South Carolina State Conference of the NAACP, South Carolina Coastal Conservation League, and Southern Alliance for Clean Energy by electronic mail at the addresses set forth below:

Alexander W. Knowles, Counsel
Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, SC 29201
aknowles@ors.sc.gov

Rebecca J. Dulin, Senior Counsel
Duke Energy Progress, LLC
1201 Main Street, Suite 1180
Columbia, SC 29201
rebecca.dulin@duke-energy.com

Samuel J. Wellborn, Counsel
Sowell Gray Robinson Stepp & Laffitte, LLC
Post Office Box 11449
Columbia, SC 29211
swellborn@sowellgray.com

Derrick Price Williamson, Counsel
Spilman Thomas & Battle, PLLC
1100 Bent Creek Blvd., Suite 101
Mechanicsburg, PA 17050
dwilliamson@spilmanlaw.com

Stephanie U. (Roberts) Eaton, Counsel
Spilman Thomas & Battle, PLLC
110 Oakwood Drive, Suite 500
Winston-Salem, NC 27103
sroberts@spilmanlaw.com

Jenny R. Pittman , Counsel
Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, SC 29201
jpittman@ors.sc.gov

Robert R. Smith, II , Counsel
Moore & Van Allen, PLLC
100 North Tryon Street, Suite 4700
Charlotte, NC 28202
robsmith@mvalaw.com

This 8th day of November, 2019.

/s/ Rachel Pruzin